ness of fire underwriting, under the low-rate, high-expense, loose-practice methods of management latterly in vogue, such a mortality as this should amply supply such proof. At any rate, the capitalists who risked this $100,000,000, *and have lost most of it*, are not likely to insist on any further proof."

It is tolerably clear that the system under which such a death-rate of companies possible, must be radically wrong and needs reform. Such reform is possible from only a single quarter, and this is in putting rates of premium at a point which will pay losses, expenses, and enough more to compensate capital for the increased hazard of the business. "Until this is done nothing is done; and unless it is done and done soon, there will necessarily be a serious shrinkage in the number of companies, and more trouble to get safe indemnity than has ever yet been known among us."

DIRECTORS' LIABILITIES.

We publish elsewhere a letter from a shareholder on the subject of the liabilities of bank directors. The general Banking Act of 1871, it appears has removed the restriction as to the amount which directors of a bank might borrow. The words of the general Act are: "The shareholders, (or, if the bank be *en commandite*, the principal partners) may also regulate by by-law the amount of discounts or loans which may be made to directors (or, if the bank be *en commandite*, to the principal partners) either jointly or severally to any one firm or person, or to any shareholder or corporation." But though it is proper to make this correction, it will be remembered that we laid no stress on the legal aspect of the question. It is manifestly improper for the directors of a bank to borrow the whole amount, or anything like the whole amount of its capital.

—In our reference, last week, to the meeting of shareholders in the English Loan Company, we made use of the name of Major (now Colonel) Walker as forming one of the Investment Committee. This was unjust to Col. John Walker, who is not connected with that company. Mr. George Walker, of London township, is the gentleman to whom we referred. The manager of the company writes to assure us that the $19,000 written off as depreciated assets, was taken off the Ontario Bank shares held by the company, and not off mortgages. He also informs us that Mr. George Walker assigned no mortgages to the company. Another stormy meeting of the company has been held at which a resolution was passed declaring a want of confidence in Mr. Le Ruey and asking him to resign his place as director. Whether the difficulties will now be settled without a continuance of the litigation commenced, does not yet appear.

—The week has witnessed an almost daily fall in bank stocks, not however, on the whole, large. Few banks are now willing to lend on margin; and the business, being illegal, must before long come to an end. The conservative banks refuse to touch this kind of loans, and are thoroughly convinced of the mischief which this form of gambling does to regular and legitimate business.

TRANSFER OF BANK SHARES.

A decision was recently rendered by the Supreme Court of the United States in the suit of Cecil National Bank *vs.* Watsontown Bank. The circumstances of the case are decidedly peculiar and somewhat involved. The bank stock in question, being stock in the defendant Bank, belonged originally to a firm of Powell & Co. doing business at Williamsport, Pennsylvania, as private bankers. The certificate for this stock was by them assigned and delivered to Jacob Tome, president of the Cecil National Bank as collateral security for two promissory notes of $5,000 each, of which they were the makers, and which had been by them discounted with the Cecil Bank. The Cecil National after the maturity and dishonor of both these notes, transmitted by letter the certificate of stock to R. B. Claxton, cashier of the Watsontown Bank. By this letter the cashier was requested to send a new certificate in Mr. Tome's name, and was asked what the stock was worth.

Claxton replied to Hopkins, cashier of the Cecil Bank acknowledging the receipt of the certificate, stating that a new board of Directors had just been elected and promising to forward the stock certificate, as the president was not at home and the necessary signature could not then be procured. He continued "I think I can find a purchaser for Mr. Tome's stock at from 100 to 102, and possibly more, if you will let me know exact figures I will endeavor to dispose of it promptly, if he so desires. Shortly afterwards Mr. Tome replied authorizing a sale, and in a subsequent letter enclosed a power of attorney to sell and transfer the stock, stating that it would not be necessary to forward him the certificate. The power of attorney was in the usual form and authorized Mr. Claxton "to sell, transfer and assign the two hundred shares of stock of the Watsontown Bank standing in my name and in the books of said Bank," etc. As a matter of fact before that time Mr. Claxton, the cashier, had charged the account of Powell & Co. in the stock Ledger with the item of $10,000 representing this stock, and an account had been opened in the name of J. Tome crediting him with the amount. Subsequently $1,000 of stock was sold and the proceeds charged to Mr. Tome's account and credited in the same ledger to the accounts of the purchasers. It appeared that this stock ledger was the only book kept by the Bank shewing the transfers of stock, except a book of certificates, the stubs of which showed to whom the corresponding certificates had been issued. The stock ledger was kept by the cashier who was himself a member of the firm of Powell and Co. Martin Powell another member of that firm was also a director of the Watsontown Bank. It appears to have been the cashier's usual practice to make and keep the account of transfers of stock without consulting the directors in each case.

Powell & Co. subsequently failed, and then the Watsontown Bank notified Mr. Tome that they declined to recognize the transfer to him as it had never been approved by the President and directors, and that they could permit a transfer only after Powell & Co's liability to them had been secured to their satisfaction. In doing this they relied upon a statutory provision in the Bank Act that "no stockholder indebted to a Bank for a debt actually due and unpaid shall be authorized to make a transfer or receive a dividend until such debt is discharged or security to the satisfaction of the directors given for the same." The indebtedness of Powell & Co. to the Watsontown Bank appeared to be over $5,000.00.

The Cecil National Bank then applied to the courts for relief and asked to have the defendant bank compelled to transfer the remaining 180 shares. The case was originally tried in the Circuit Court W. D. Pennsylvania where the plaintiffs are unsuccessful, that court holding that the Watsontown Bank was entitled to hold the stock until the indebtedness of Powell & Co. to them had been satisfied.

The case having been carried to the Supreme Court the judgment was delivered by Mr. Justice Matthews. It is now held that the plaintiff bank is entitled to the relief for which it asks. It is held that the defendant bank having allowed their business to be conducted in the manner they had and having entrusted the cashier with the supervision of the transfers of stock, are bound by his acts. The entries made in the stock ledger are held to be sufficient transfers of stock to bind the bank. It is further pointed out that even if they had not been sufficient to effect a complete legal transfer they were sufficient to confer the equitable right to the stock on the plaintiff bank. The conduct of the defendant bank is taken to have been such as to prevent their setting up any claim at this stage to hold the stock as security for Powell & Co's indebtedness they having permitted Mr. Jones to rest in the belief that his right to dispose of the stock for the purpose of paying the debt due to his bank would not be questioned. This it is said was equivalent to a delaration by the defendant bank that it had no adverse claim. Hence it is permitted now to enforce the claim which had then been held in abeyance, and the enforcement of which now would, in the opinion of the Court, amount to a fraud.

It is further held that the fact of Claxton being a member of the firm of Powell & Co. could make no difference. The defendant bank knew that he was a member of the firm but still entrusted him with the duties in question, besides it was pointed out that he was really not interested, for as he was liable for the debts of Powell & Co. to both banks it would be immaterial to him which of these liabilities the proceeds of this stock went to discharge. This decision is certainly one that must commend itself to every one's sense of justice.

To have allowed the Watsontown Bank to retain the stock under the circumstances would have been to offer a premium upon double dealing and insincerity in business transactions.

TO CORRESPONDENTS.

P. J. F., Sarnia.—We do not know the gentleman, and never heard of the Pye Harvester till receipt last week of the prospectus of the company proposed to be formed to manufacture it. The capital is to be $250,000, but only $150,000 is to be issued now, and only $60,000 of this called up. When, with this amount of capital, as stated in the prospectus, it was deemed possible to make, besides reapers and lawn mowers, 2000 Mowing Machines per annum, the gross profit on which would be $115,000! we were rather startled, and wrote to make some enquiry as to the possibility of such a *bonanza* as this in implement-making. Below we give the opinion of one of the largest and most reliable manufacturing houses in Ontario upon the matter.

"The prospectus of the company in question assuredly presents to the sanguine investor an opportunity, rarely to be found, of making money. You will observe that 2,000 mowing machines are to be built annually, the gross profit on which, the prospectus states, will be $115,000, or $57.50 each. I am somewhat conversant with the cost of mowing machines, and of the price at which they are sold in Canada. Mowing machines are retailed in Canada at from $60 to $70 each depending on the merits and popularity of the machines, or say an average of $65 each. As the mower to be manufactured by this com-